




REAL ESTATE — RENTAL PROPERTIES — EDMONTON - GRANDIN TOWERS, OLIVER PLACE, REGENCY, BRISTOL TOWERS, CRESTVIEW TOWERS — CALGARY - REGENCY — VANCOUVER - PARK ROYAL TOWERS — VICTORIA - REGENCY — WINNIPEG - REGENCY, CUMBERLAND HOUSE, CHAMBER OF COMMERCE BUILDINGS — Ft. McMURRAY, ALBERTA - PETER POND SHOPPING CENTRE — LAND FOR DEVELOPMENT - EDMONTON - CALGARY - VANCOUVER — ST. ALBERT, ALBERTA - HAMILTON, ONTARIO - PUERTA VALLARTA, MEXICO - LAS VEGAS, NEVADA - Ft. McMURRAY, ALBERTA — RESTAURANTS - OLIVER'S - EDMONTON, WINNIPEG, CALGARY - BEACH-COMBER - EDMONTON, CALGARY, VICTORIA - STEAK LOFT - EDMONTON — HOTELS - CHATEAU LACOMBE - EDMONTON - PETER POND HOTEL - Ft. McMURRAY, ALBERTA - PINE POINT HOTEL - PINE POINT N.W.T. - FORT GEORGE HOTEL LTD. - PRINCE GEORGE, B.C. — AUTOMOTIVE - EDMONTON - CROSSTOWN MOTOR CITY, CROSSTOWN RECREATIONAL VEHICLES, DEVONIAN MOTORS, EDMONTON CAR RENTALS, EDMONTON RENT-A-CAR, MANSION MOBILE HOMES, MEDICAR DIAGNOSTIC CLINIC, COLUMBIA INSURANCE SERVICES — AVIATION - CALGARY - INTERNATIONAL JET AIR LTD., LIFTAIR INTERNATIONAL LTD. — OTHER DIVISIONS - METROPOLITAN PRINTING, EDMONTON - FARM DIVISION, FALHER, ALBERTA - RADIO STATION C.H.Q.T. LTD., EDMONTON — AFFILIATED COMPANIES - MATRIX EXPLORATION LTD., EDMONTON - BLUNT'S NURSING HOMES (1965) LTD. — CONSTRUCTION - REDDEN CONSTRUCTION (1970) LTD., CORONATION CONSTRUCTION LTD., REDDEN HOLDINGS LTD., CLARENDON CONSTRUCTION LTD., CITATION CONSTRUCTION LTD. — FINANCIAL - WESTERN PACIFIC FINANCIAL CORPORATION LTD. - NORTH WEST TRUST COMPANY - SEABOARD LIFE ASSURANCE -

1972 ANNUAL REPORT
ALLARCO DEVELOPMENTS LTD.



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DIVISIONS

REAL ESTATE:

Income Producing Properties
Land for Development

AUTOMOTIVE:

Crosstown Motor City	Medicar Diagnostic Clinic
Devonian Motors	Mansion Mobile Homes
Edmonton Car Rentals	Recreational Vehicle Centre
Edmonton Rent-A-Car	

RESTAURANTS:

Oliver's	Beachcomber
Edmonton	Edmonton
Winnipeg	Calgary
Calgary (under construction)	Victoria
	Steak Loft
	Edmonton

HOTELS:

Chateau Lacombe
Peter Pond Hotel, Fort McMurray

PRINTING:

Metropolitan Printing

INSURANCE:

Columbia Insurance Services

FARM DIVISION:

Falher, Alberta

SUBSIDIARY COMPANIES

International Jet Air Ltd.
North West Trust Company
Redden Construction (1970) Ltd.
Coronation Construction Ltd.
Seaboard Life Insurance Company
North West Investments Company Ltd.

AFFILIATED COMPANIES

Redden Holdings Ltd.
Citation Construction Ltd.
Fort George Hotel Ltd.
Blunt's Nursing Homes (1965) Ltd.
Matrix Exploration Ltd.
Pine Point Investments Ltd.
Pine Point Shopping Centre Ltd.
Allarco Chemicals Ltd.

JOINT VENTURES AND PARTNERSHIPS

Park Royal Towers — Vancouver, B.C.
Hamilton-Ancaster, Ontario

ALLARCO DEVELOPMENTS LTD.

DIRECTORS

Dr. Charles A. Allard - M.D., F.R.C.S.(C)
Zane Feldman
George Alexander Cameron Steer - Q.C.
Morris Klimove
J. Cameron Allard
J. J. LoPorto

EXECUTIVE OFFICERS

Dr. Charles A. Allard - M.D., F.R.C.S. (C) -
President and Chairman of the Board
Zane Feldman - Vice-Chairman
J. Cameron Allard - Executive Vice-President
Morris Klimove - Vice-President, Restaurants
G. E. Arnell - Vice-President/Secretary
J. R. Otteson - Treasurer/Comptroller

AUDITORS

Peat, Marwick Mitchell & Co.

STOCK EXCHANGE LISTING

Toronto Stock Exchange

REGISTRARS AND TRANSFER AGENTS

North West Trust Company
Montreal Trust Company

TRUSTEES FOR DEBENTURES

Montreal Trust Company

EXECUTIVE OFFICES

10120 - 118 Street, Edmonton, Canada, T5K 1Y4

ALLARCO DEVELOPMENTS LTD.

ANNUAL REPORT OF THE CHAIRMAN

This Annual Report covers two periods, the twelve months ended October 31, 1972 and a further two month period ending December 31, 1972. This reflects a change in year end which will permit your company to fully reflect the operations of the financial corporations which have government regulated December 31 year ends.

The operations for the year ended October resulted in a net operating profit of \$1,191,215 or 89¢ per share compared to a 1971 profit of \$672,574 or 50¢ per share (re-stated). The net profit for the current year including the gains and losses on disposal of assets and investments amounted to \$2,417,469 or \$1.80 per share compared to a loss for 1971 of \$23,503 or 2¢ per share (re-stated).

Operations for the two month period show an operating profit of \$90,537 or 6¢ per share. The total net profit including gain on disposal of fixed assets amounted to \$1,143,557 or 83¢ per share. Traditionally the months of November, December and January are the weakest of the year in terms of operating profits.

AUTOMOTIVE DIVISION

Total sales of this division increased to \$17,275,000 from \$15,500,000 resulting in a divisional profit of \$386,475 compared to \$213,793 for 1971. Crosstown Motor City is again the largest Dodge Chrysler dealer in Canada while Devonian Motors, which handles the American Motors, Volvo and Jeep lines showed substantial increases during the year. During the year and for the two months ended December 31, the sales continued to increase although the divisional profit is down slightly which is not unexpected for this two month period.

Crosstown Motor City has opened a Recreational Vehicle Centre which sells and services travel trailers, motor homes, tent trailers, boats and snowmobiles. It is expected that this division will contribute substantially to the automotive division profits.

HOTELS AND RESTAURANTS

This division showed substantial increases in sales from \$8,511,000 to \$9,950,000 for the year ended October 31. These increased sales resulted in increased divisional profits to \$1,107,249 from \$947,000. The sales for the two month period are down from the annual rate, but this is to be expected as the volumes usually decrease in December. The twelve month period represents a full twelve months operations of the Winnipeg Oliver's which opened in September 1971. On March 1, 1973 the Chateau Lacombe was sold which will result in only two months revenue from this source for the 1973 year.

The Peter Pond Hotel in Ft. McMurray, Alberta has been expanded from 40 rooms to 90 rooms and a further expansion of 50 rooms is contemplated. The Company is also investigating the possibility of building another hotel in Edmonton as well as one in Vancouver.

After the loss by fire of the Calgary Beachcomber on April 19, 1972 reconstruction of a restaurant, cabaret and lounge has been undertaken on the same site, to be known as Oliver's/Old Bailey. It is expected this restaurant will open in August 1973. The Beachcomber premises were covered by both property and business interruption insurance.

With the planned expansion of this division, the sale of the Chateau Lacombe will not result in a serious loss of earnings.

REAL ESTATE

The results of the property rental division were virtually unchanged from the preceding year while the land sales were substantially increased basically due to the sale of 99 acres of land in South West Edmonton. This resulted in a significant profit for this division. During the two month period to December 31 no significant land sales were completed. During the year additional acreage was acquired near Edmonton which more than replaces the acreage sold resulting in an increase in the net acres held for development.

AVIATION DIVISION

The sales of the Aviation Division to October 31, 1972 were down from \$4,900,000 to \$3,800,000 due basically to the sale of LiftAir International Ltd. The sale resulted in a \$45,000 profit to Allarco which is reflected under the gain on disposal of investments. Operations of the Aviation Division were improved from a divisional loss of \$28,900 to a divisional profit of \$101,000. During the year another Electra passenger-freighter aircraft was acquired to provide additional capacity for high Arctic charters as well as the schedule run from Whitehorse to Inuvik. In January 1973 an F-27 Turbo Prop aircraft was acquired to provide additional charter capacity. It is expected this division will contribute profits to the parent company.

RADIO STATION C.H.Q.T. LTD.

On November 5, 1971 the assets of Radio Station C.H.Q.T. Ltd. were sold resulting in a profit to the company of \$936,000. The approval of the sale, required from the Canadian Radio and Television Commission, was received in April 1972 at which time the operations were turned over to the new owner. Until March 31, 1972 the operations were conducted for Allarco's account and are reflected in the October 31, 1972 results.

METROPOLITAN PRINTING

Sales of this division have increased substantially over the past three years and 1972 operations resulted in a \$35,000 profit compared to a \$20,000 loss in 1971. Additional equipment has been obtained permitting the division to improve the quality of work and develop new markets.

CONSTRUCTION OPERATIONS

During the year the company's shares in Clarendon Construction Ltd. were sold to our partner for a profit of \$200,000. The sale was deemed expedient because very few Allarco lots would become available for Clarendon to build on in the next several years.

During the year Redden Construction (1970) Ltd. was activated and contributed approximately \$4,000,000 total sales and \$88,000 profit to the 1972 operations. Allarco Developments Ltd. owns 55% of this new company which is involved in the construction of high rise residential and commercial projects.

FUTURE DEVELOPMENTS

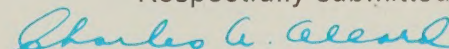
The most significant future development for Allarco is the Methanol Plant to be constructed at Medicine Hat, Alberta. Part of this report is devoted to an explanation of this project. Construction will commence in April 1973 for a planned completion of August 1974. A further expansion to the Peter Pond Hotel is being contemplated at this time as the area is developing at an accelerated rate. The company is investigating the development of a plant to construct motor homes for the Recreation Vehicle Centre. Also under investigation is the development of the Hotel complex in Vancouver. It is expected that a Shopping Centre will be constructed in the Riverbend area of South West Edmonton during 1973 which should contribute significant revenues to the Real Estate Division by 1974.

During the year Mr. J. J. LoPorto who is President of Allarco Chemicals Ltd. was added to your Board of Directors. Mr. LoPorto's knowledge and experience has proven invaluable through the development stages of the Methanol Plant.

At this time we see no break in the favourable operating results for the coming year as all operations appear to be improving at this time. It must be remembered that land sales do not run at a steady or easily predictable rate because of the inherent nature of land development.

I would like to thank the officers and employees of Allarco Developments for their loyal efforts and support throughout the year.

Respectfully submitted,



March 28, 1973

CHARLES A. ALLARD

ALLARCO CHEMICALS LTD.

On February 12, 1973 Alberta Gas Trunk Line Company Ltd. and Allarco Developments Ltd. jointly announced the formation of a new company to develop the \$18.7 million Methanol manufacturing plant in Medicine Hat, Alberta. Construction of the plant, which will have a capacity of 600 tons per day or 63.5 million U.S. gallons per year, will commence in April 1973 for completion in August 1974.

Feedstock for the Methanol process is natural gas which will be obtained from the City of Medicine Hat at an initial price of 15¢ per thousand cubic feet escalating to 19¢ at the end of the ten year period.

One third of the plant capacity or 20,000,000 U.S. gallons per year has been sold to Georgia Pacific Corporation, a forest products group based in Portland, Oregon, for the same ten year period. Three quarters of the contracted amount will be destined for U.S. markets. The balance of production will be sold in Canada and will, in large measure, meet present Canadian demand.

Methanol is used extensively in the forest products industry and as a dehydrating agent in natural gas pipelines as well as in the manufacture of many other chemical products. An expanding use for years to come will be the tertiary treatment of sewage.

Financing of the Medicine Hat plant includes a \$1.5 million industrial incentive grant from the Federal Government.

The plant will be constructed by Chemical Construction Company of Toronto and New York and during construction of the plant, approximately 270 persons will be employed. In operation, the plant will employ a work force of approximately 70.

Projections indicate that, when in full production the plant will contribute in excess of \$1.00 per share annual earnings to Allarco Developments Ltd.

METHANOL MANUFACTURING



DEHYDRATING
AGENT PIPELINES



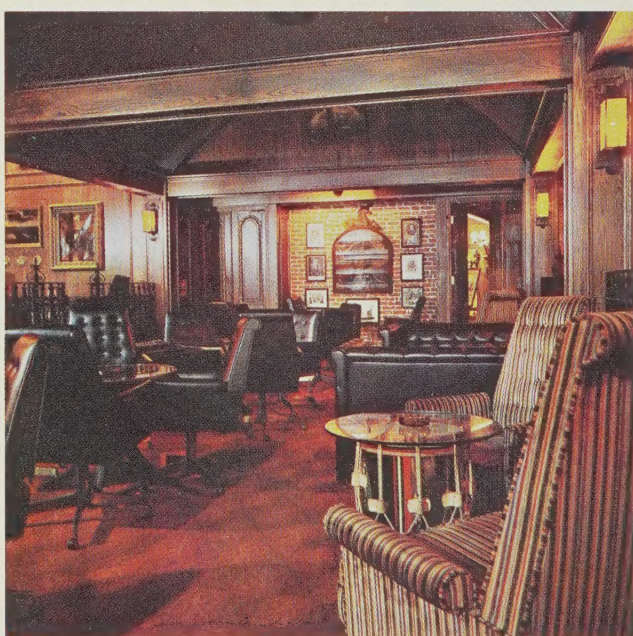
CHEMICAL PRODUCTS



PLYWOOD
MANUFACTURING



TERTIARY SEWAGE TREATMENT



Winnipeg Oliver's Dining Room / Old Bailey Lounge (inset) 185 Lombard Avenue, Winnipeg, Manitoba. Opened September 1971.

Farm Division - Falher, (Peace River Block of Alberta.) 4,450 cultivated acres of rapeseed, wheat, barley and grass seed.



Crosstown Motor City showroom - 104 Avenue at 120 Street, Edmonton, Alberta. "Canada's largest Dodge Chrysler dealer".



Head Office Building - 10120 - 118 Street, Edmonton, Alberta. Occupied March 6, 1971. Allarco Executive Offices - Restaurant and Aviation Administrative Offices.

North West Trust Company - Calgary Branch - One of nine branches in Western Canada.



Metropolitan Printing - 10180 - 111 Street, Edmonton, Alberta.



CONSOLIDATED BALANCE SHEET

[illegible]

Charles A. Alessi Director

Eane Feldman Director

LIABILITIES

	1972		1971
	December 31	October 31	October 31
Bank advances, secured (note 6)	\$ 4,708,530	4,947,581	4,306,180
Accounts payable and accrued liabilities	9,190,800	9,701,534	9,467,256
Income tax payable	151,118	151,118	—
Due to affiliated company on construction contracts	—	—	316,927
7% Convertible debentures (note 7)	5,000,000	5,000,000	5,000,000
Notes and debentures, secured (note 8)	1,941,916	2,274,242	2,902,951
Mortgages and agreements, secured (note 8)	32,223,050	36,205,822	34,609,804
	<u>53,215,414</u>	<u>58,280,297</u>	<u>56,603,118</u>
Minority interest in subsidiaries	73,192	75,334	105,104
Deposit on sale of aircraft	—	—	600,000
Deferred income taxes (note 13)	1,803,766	1,758,353	935,134
Deferred revenue (note 9)	1,064,368	1,031,310	1,135,894
Shareholders' equity:			
Capital stock (note 10):			
Issued and fully paid	3,973,758	3,973,758	3,753,758
Retained earnings	6,974,561	5,831,004	3,413,535
	<u>10,948,319</u>	<u>9,804,762</u>	<u>7,167,293</u>
	<u>\$67,105,059</u>	<u>70,950,056</u>	<u>66,546,543</u>

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheets of Allarco Developments Ltd. and subsidiaries as of October 31, 1972 and December 31, 1972 and the consolidated statements of operations, retained earnings and source and application of cash for the year ended October 31, 1972 and the two months ended December 31, 1972. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at October 31, 1972 and December 31, 1972 and the results of their operations and source and application of their cash for the year ended October 31, 1972 and the two months ended December 31, 1972, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated (see note 1).

Edmonton, Alberta
March 30, 1973

Peat, Marwick, Mitchell & Co.
Chartered Accountants

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF CASH

FOR THE YEAR ENDED OCTOBER 31, 1972
AND THE TWO MONTHS ENDED DECEMBER 31, 1972

Source of Cash	1972		1971
	December 31	October 31	October 31
Net profit for the year	1,143,557	2,417,469	(23,503)
Add: Items not requiring a cash outlay			
Equity in earnings of subsidiary company	(49,046)	(257,227)	(106,774)
Depreciation and amortization	202,539	1,447,237	1,571,860
Deferred income taxes	45,413	845,328	(428,798)
Minority shareholders' interest	(2,142)	95,073	694
Cost of investment sold or written off	—	37,000	312,986
Cost of land sold	—	588,342	256,083
Other	—	62,266	187,753
Deferred revenue realized	33,058	(104,584)	200,647
	1,373,379	5,130,904	1,970,948
Increase (Decrease) in bank advances	(239,051)	641,401	2,744,731
Increase (Decrease) in accounts payable	(510,734)	46,360	1,131,935
Deposit on sale of aircraft	—	—	600,000
Issue of mortgages and notes payable	416,000	3,863,855	5,351,778
Disposal of fixed assets	3,644,489	1,877,914	3,424,160
Issue of capital stock	—	220,000	100,000
	4,684,083	11,780,434	15,323,552
Application of Cash			
Increase (Decrease) in accounts receivable	(948,387)	1,038,180	319,789
Increase (Decrease) in inventories and prepaids	439,092	898,060	(569,949)
Increase (Decrease) in loans receivable	(561)	27,931	(258,955)
Land purchases and expenses capitalized	91,222	859,603	3,790,631
Investments in and advances to affiliates	85,090	1,172,079	1,356,974
Additions to fixed assets	442,801	4,024,960	3,926,216
Payments on mortgages & notes payable	4,731,098	2,896,546	5,826,200
Other assets acquired	15,553	295,959	449,933
Deposit on sale of aircraft	—	600,000	—
	4,855,908	11,813,318	14,840,839
Increase (Decrease) in cash	(171,825)	(32,884)	482,713

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED OCTOBER 31, 1972

AND THE TWO MONTHS ENDED DECEMBER 31, 1972

	<u>1972</u>		<u>1971</u>
	<u>December 31</u>	<u>October 31</u>	<u>October 31</u>
Income (note 12)	\$7,364,339	44,585,483	38,939,291
Cost of sales, operating expenses and interest	6,983,487	40,498,128	36,563,222
	380,852	4,087,355	2,376,069
Head Office Expense	76,562	415,729	298,192
Debenture interest	58,333	350,000	350,000
	134,895	765,729	648,192
Net profit before the undernoted expenses	245,957	3,321,626	1,727,877
Depreciation	202,539	1,447,237	1,571,860
Income taxes, (recoverable)	4,069	845,328	(410,477)
Minority shareholders' interest	(2,142)	95,073	694
	204,466	2,387,638	1,162,077
	41,491	933,988	565,800
Equity in earnings of unconsolidated subsidiaries (note 1)	49,046	257,227	106,774
Operating profit	90,537	1,191,215	672,574
Gain (loss) on disposal of fixed assets and investments (note 14)	1,053,020	1,226,254	(696,077)
Net profit (loss) for the year	1,143,557	2,417,469	(23,503)
Operating profit per share	\$.06	.89	.50
Net profit (loss) per share	\$.83	1.80	(.02)
Cash flow per share	\$1.00	3.83	1.48

ALLARCO DEVELOPMENTS LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED OCTOBER 31, 1972

AND THE TWO MONTHS ENDED DECEMBER 31, 1972

	1972		1971
	December 31	October 31	October 31
Balance: Beginning of period as previously reported	\$5,831,004	2,738,305	3,365,040
Equity in earnings of unconsolidated subsidiaries (note 1)	—	265,686	158,912
Prior year adjustment to deferred income tax (note 13)	—	409,544	(86,914)
As restated	5,831,004	3,413,535	3,437,038
Net profit (loss) for the period	1,143,557	2,417,469	(23,503)
Balance: End of period	\$6,974,561	5,831,004	3,413,535

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation and Change in Accounting Principles:

The consolidated financial statements include the accounts of all subsidiary companies. Because of the fiduciary nature of the assets of Western Pacific Financial Corporation Ltd. the accounts of this subsidiary have been included by using the equity method of accounting as set out below. Western Pacific Financial Corporation Ltd. holds the following investments:

	Number of Shares	Percentage of Ownership
North West Trust Company:		
Common shares	232,155	93.2%
First preferred participating shares	32,677	15.8%
Seaboard Life Insurance Company:		
Common shares	328,975	61.2%
People's Management Ltd. (manager of Dominion Mutual Funds):		
Common shares	1,000	100.0%

Affiliated companies in which Allarco owns 50% or less have not been consolidated and only the cost of these investments is included in these financial statements.

Effective November 1, 1971 as recommended by The Canadian Institute of Chartered Accountants, the equity method of accounting was adopted with respect to the Company's holdings of the outstanding shares of Western Pacific Financial Corporation Ltd. (holding investments as set out in note 1.) Previously these investments were carried at cost and income thereon was included in earnings only to the extent received as dividends.

To give effect to this change, the Company included in October, 1972 and December, 1972 earnings, its equity in the subsidiary company's earnings for the periods then ended, restated its earnings for 1971 on a comparative basis, and included in 1971 retained earnings its equity in undistributed earnings of previous years; the value shown in the balance sheet for this investment has been increased accordingly.

This change in principle resulted in an increase of \$257,227 in earnings for the year ended October 31, 1972 and \$49,046 for the two months ended December 31, 1972 which amounts to \$.19 and \$.03 per share respectively. The excess of the Company's equity in the underlying net assets of Western Pacific Financial Corporation Ltd. over the cost of the Company's investment in that company at dates of acquisition is not material.

2. Land for Development:

Land is stated at original purchase price plus carrying charges which include interest and real estate taxes pertaining to the specific property.

	Dec. 31, 1972	Oct. 31, 1972	Oct. 31, 1971
Opening balance	\$7,485,995	7,936,329	4,646,355
Acquisitions	58,320	556,448	3,249,300
Carrying costs and local improvements	32,902	303,155	541,331
	<u>7,577,217</u>	<u>8,795,932</u>	<u>8,436,986</u>
Less land - sold	—	588,342	228,348
- transferred to fixed assets	—	721,595	272,309
Closing balance	<u>\$7,577,217</u>	<u>7,485,995</u>	<u>7,936,329</u>

Land for development at December 31, 1972 with a cost of \$6,592,333 has been appraised by Jellis Appraisal Co. Ltd. dated December 8, 1972 at \$11,566,000. The balance of the land with a cost of \$984,884 has not been appraised. The total of the appraised land value and the unappraised land at cost is \$12,550,884 resulting in an appraisal surplus of \$4,973,667 which is not reflected in these financial statements.

3. Investments:

Investment in subsidiary is valued at cost plus the company's share of the equity gain since acquisition; other investments are valued at cost.

The investments are as follows; October 31, 1971 figures for investment in subsidiary have been restated as set out in note 1.

	Dec. 31, 1972	Oct. 31, 1972	Oct. 31, 1971
Shares:			
Subsidiary, on equity basis	\$3,198,222	3,149,176	1,982,216
Affiliated companies, at cost	16,432	16,422	16,536
Other, at cost	123,035	128,035	165,035
	<u>3,337,689</u>	<u>3,293,633</u>	<u>2,163,787</u>
Advances, at cost:			
Subsidiary	5,883	3,383	—
Affiliated companies	—	1,250	446,546
Joint venture	3,121,394	3,032,564	2,328,191
	<u>3,127,277</u>	<u>3,037,197</u>	<u>2,774,737</u>
	<u>\$6,464,966</u>	<u>6,330,830</u>	<u>4,938,524</u>

No meaningful market value is available on the investment in subsidiary as the investment constitutes control, while with respect to the affiliated companies the majority are private companies for which no market value is available.

4. Fixed Assets:

Property, plant and equipment, at cost less accumulated depreciation:

	Dec. 31, 1972	Oct. 31, 1972	Oct. 31, 1971
Automotive	\$ 3,771,694	3,592,205	3,575,161*
Hotel and Restaurants	9,084,819	9,112,099	8,615,914
Real Estate	21,574,750	25,143,951	22,928,531
Aviation (including aircraft)	3,882,959	3,848,552	5,182,936
Other	1,366,717	1,388,359	1,361,220
	<u>\$39,680,939</u>	<u>43,085,166</u>	<u>41,663,762</u>

The company's depreciation policy is:

Buildings	5% - 50 year sinking fund method
Automotive Equipment	20% to 30% straight line method
Aircraft	8½ % straight line method
Office and shop equipment	7.5% straight line method

Leased aircraft are depreciated over the term of the lease.

Accumulated depreciation totalled \$4,614,873 at December 31, 1972, \$4,473,865 at October 31, 1972 and \$4,548,296 at October 31, 1971.

Long Term Leases:

Two buildings with a total cost of \$6,500,592 are located on land held under long-term leases, all of which have an unexpired term of at least 89 years. The lease obligations on these properties for each of the next five years are \$89,250 per year.

5. Other assets, at Cost less Amortization:	Dec. 31, 1972	Oct. 31, 1972	Oct. 31, 1971
Preopening expenses	\$ 17,857	32,445	127,704
Goodwill on acquisition of subsidiaries	750,565	756,465	742,770
Deferred development expenses	713,748	679,670	472,769
	<u>\$1,482,170</u>	<u>1,468,580</u>	<u>1,343,243</u>

The goodwill figure arises principally from the acquisition of Devonian Leaseholds Ltd. (Edmonton Steak Loft and Edmonton Beachcomber) and International Jet Air Ltd.

During 1971 the company adopted a policy to write-off goodwill at the rate of 5% of cost per annum on a straight line basis. Amounts of \$35,350 during the year ended October 31, 1972 (\$35,350 - 1971) and \$5,892 during the two months ended December 31, 1972 have been written off and included in depreciation and amortization.

6. Bank Advances:

Bank advances are secured by a general assignment of book debts and a fixed and floating charge debenture payable on demand.

7. 7% Convertible Sinking Fund Debenture Series A:

Pursuant to the Trust Deed dated May 2, 1969 the company covenanted to establish a Sinking Fund for the retirement of these Series A Debentures by payments of \$175,000 each year from 1974 to 1987 inclusive. The Debentures are dated June 1, 1969 and will mature June 1, 1989; they are secured by a first floating charge on all of the company's assets. Each \$1,000 Debenture is convertible at the holder's option up to October 31, 1974 into 75 fully paid non-assessable common shares of no par value; subsequent to that date, until maturity, into 65 fully paid non-assessable common shares of no par value. Interest is payable half-yearly on June 1st and December 1st in each year.

8. Long-term Debt:

- (a) Mortgages and agreements payable at an average rate of 8.09% mature between 1973 and 2001. Principal payments due in the next five fiscal years are:

1973	\$1,659,011
1974	\$1,498,601
1975	\$1,403,133
1976	\$1,339,190
1977	\$1,350,566

- (b) Notes and debentures payable at an average interest rate of 8.31% mature between 1973 and 1984. Principal payments due in the next six fiscal years are:

1973	\$424,353
1974	\$331,250
1975	\$297,671
1976	\$181,250
1977	\$ 21,250
1978	\$ 16,250

Interest on long-term debt included in cost of sales in the Statement of Operations amounted to \$3,162,140 for the year ended October 31, 1972 (1971 - \$3,078,527) and \$502,854 for the two months ended December 31, 1972.

9. Deferred Revenue

Included in deferred revenue is an amount of \$653,591 which represents the remaining profit on a sale of land to an unconsolidated subsidiary. The sale price was based on the then current appraisal value of the land and profits are being recognized as the land is sold or developed. During the year ended October 31, 1972 a profit of \$261,673 has been taken up in the accounts.

10. Capital Stock:

The authorized capital is 3,500,000 common shares without nominal or par value to be issued for a maximum consideration not to exceed \$10,000,000.

The issued and fully paid common shares are as follows:

	Number of shares	Value received
Balance, October 31, 1971	1,339,788	\$3,753,758
Shares issued for cash	40,000	220,000
Balance, October 31 and December 31, 1972	<u>1,379,788</u>	<u>\$3,973,758</u>

The company has granted options which expire March 2, 1977 to directors (15,000), employees (13,000) of the company and subsidiaries to purchase shares at \$5.50 per share, 7,000 shares have been reserved for options which may be granted in the future. In addition 375,000 shares have been reserved for conversion of debentures as set out in note 7.

If these shares had been outstanding the fully diluted earnings would have been \$.65 per share for the two months ended December 31, 1972 and \$1.47 per share for the year ended October 31, 1972.

11. Remunerations to Directors and Senior Officers:

Remuneration to directors and senior officers was as follows:

	Two Months ended December 31, 1972	Year ended October 31, 1972	Year ended October 31, 1971
Paid by Allarco Developments Ltd.	\$26,833	152,166	127,000
Paid by subsidiary	2,000	27,000	12,000
Total	<u>\$28,833</u>	<u>179,166</u>	<u>139,000</u>

12. Sales and Profit by Division:

	1972				1971	
	December 31		October 31		October 31	
	Sales	Divisional Profit	Sales	Divisional Profit	Sales	Divisional Profit
Automotive	\$2,798,921	25,405	17,275,430	386,475	15,497,039	213,793
Restaurants	1,619,215	257,043	9,950,485	1,107,249	8,511,451	947,341
Real Estate	669,225	87,198	6,342,131	2,126,044	4,586,616	864,736
Aviation	611,392	(10,752)	3,765,413	101,059	4,893,840	(28,900)
Other	1,665,586	21,958	7,252,024	366,528	5,450,345	379,099
	<u>\$7,364,339</u>	<u>380,852</u>	<u>44,585,483</u>	<u>4,087,355</u>	<u>38,939,291</u>	<u>2,376,069</u>

13. Prior Period Adjustments:

As a result of a decision by the Exchequer Court of Canada deeming the gain on the disposal of certain land to be a taxable transaction, the company has amended its tax return for 1964 and has claimed additional capital cost allowances amounting to \$636,940. Deferred income taxes relating to that year have therefore increased by \$318,470.

Prior to 1972 a subsidiary company provided in its accounts only taxes payable on its taxable income. During the current year this subsidiary company has converted to the tax allocation basis of recording income taxes. Accordingly, deferred income tax debits relating to 1971 amount to \$496,458 and \$231,556 relating to 1970 and prior have been recorded in the accounts.

Accordingly, retained earnings at October 31, 1971 have been restated to reflect the \$318,470 increase and the \$231,556 decrease in deferred income taxes applicable to the years 1970 and prior. The provision for income taxes in 1971 has been reduced by \$496,458 to record the effect of the deferred income tax debit relating to 1971.

14. Gain (loss) on Disposal of Fixed Assets and Investments:

Year ended October 31, 1972

Sale of assets of Radio Station CHQT Ltd.	\$ 936,736
Sale of Clarendon Construction Ltd. and LiftAir International Ltd. shares	247,720
Other (net)	41,798
	<u>\$ 1,226,254</u>

Two Months ended December 31, 1972

Sale of Park Royal Towers apartments	<u>\$ 1,053,020</u>
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15. Contingent Liabilities:

The company is contingently liable as an endorser of customers' secured notes arising from retail sales in the automotive division for the amount of \$2,079,494 at December 31, 1972.

The company has initiated a claim with respect to Southern Petro-chemical Corporation which the claimant has defended with a counter claim for a lesser amount.

16. Subsequent Events:

On March 1, 1973 the Chateau Lacombe, an Edmonton hotel, carried in fixed assets, was sold resulting in a net profit to the Company in excess of \$1,500,000.

HISTORIC REVIEW

	Two Months December		Year			
	1972	1972	1971	1970	1969	1968
Sales	\$ 7,364,339	44,585,483	38,939,291	38,191,705	28,910,530	25,174,979
Operating profit	90,537	1,191,215	672,574	960,315	538,830	398,666
Gain or (loss) on disposal of fixed assets and investments	1,053,020	1,226,254	(696,077)	—	—	—
Net profit (loss) for the period	<u>\$ 1,143,557</u>	<u>2,417,469</u>	<u>(23,503)</u>	<u>960,315</u>	<u>538,830</u>	<u>398,666</u>
Operating profit per share	\$.06	.89	.50	.74	.47	.40
Net profit (loss) per share	\$.83	1.80	(.02)	.74	.74	.40
Cash flow per share	\$1.00	3.83	1.48	2.15	1.61	1.49
Average shares outstanding	1,379,788	1,339,788	1,329,788	1,306,932	1,146,282	1,000,000
Shareholders' equity	\$10,948,319	9,804,762	7,167,293	7,031,403	5,937,532	2,310,162
Unrecorded appraisal surplus of developed land	\$ 4,973,667	5,002,651	5,649,476	4,761,097	3,744,544	N/A

